

EDUCATIONAL AND TREATMENT COUNCIL, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS
Year Ended June 30, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the State Budget Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/19/04

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4-6
STATEMENT OF ACTIVITIES	6-7
STATEMENT OF CASH FLOWS	8
STATEMENT OF FUNCTIONAL EXPENSES	9-10
NOTES TO FINANCIAL STATEMENTS	11-15
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	17
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	18-19
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	20-21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22-23
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	24
CORRECTIVE ACTION PLAN	25

**CRAVON, CASIDAY & GUILLORY, L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS

AN ATTORNEY AT LAW, A CPA,
 A CFP® CERTIFIED FINANCIAL
 PLANNER, AND A CHARTERED
 FINANCIAL ANALYST (CFA®)
 OFFICE: SUITE 200, 100 N. GULF
 AVENUE, SUITE 200, NEW ORLEANS, LA 70112
 PHONE: (504) 581-1111
 FAX: (504) 581-1112
 E-MAIL: CRAVON@CRAGLAW.COM

INDEPENDENT AUDITORS' REPORT

November 14, 2003

To the Board of Directors
 Educational and Treatment Council, Inc.
 Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Educational and Treatment Council, Inc. (a nonprofit organization) as of June 30, 2002, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2003, on our consideration of Educational and Treatment Council, Inc.'s internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Educational and Treatment Council, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cravon, Casiday & Guillory

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2002
With Comparative Totals as of June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 39,138	\$ 189	\$ -
Investments	780,171	-	-
Accounts receivable	145,000	-	-
Interest receivable	607	-	-
Prepaid expenses	5,314	-	-
Total current assets	969,190	189	-
Fixed Assets at cost (net of accumulated depreciation of \$807,702)	689,141	-	1,268
Total assets	\$ 1,658,331	\$ 189	\$ 1,268
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interest payable	15,265	-	-
Assured salary and payroll taxes	7,081	-	-
Deferred income	10,038	-	-
Total current liabilities	32,344	-	-
Long-Term note payable	580,080	-	-
Total liabilities	612,424	-	-
Net Assets			
Unrestricted			
Undesignated	1,145,443	-	-
Board-designated	180,850	-	-
Total unrestricted	1,326,293	-	-
Temporarily restricted	-	189	-
Permanently restricted	-	-	1,268
	1,326,293	189	1,268
TOTAL LIABILITIES AND NET ASSETS	\$ 1,658,331	\$ 189	\$ 1,268

See accompanying notes.

Totals	
2002	2001
\$ 28,827	\$ 488,851
768,771	488,244
148,238	188,180
837	4,482
<u>52,64</u>	<u>4,482</u>
848,880	1,181,228
<u>801,897</u>	<u>802,428</u>
\$ 1,808,892	\$ 2,023,656
\$ -	\$ 34,213
18,208	18,208
7,801	10,308
<u>18,838</u>	<u>-</u>
32,344	48,728
<u>508,800</u>	<u>580,000</u>
<u>802,344</u>	<u>848,728</u>
1,148,443	1,287,381
<u>188,858</u>	<u>178,188</u>
1,338,293	1,472,488
188	188
<u>1,288</u>	<u>1,288</u>
<u>1,337,748</u>	<u>1,473,541</u>
\$ 1,808,892	\$ 2,023,656

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2002
 With Comparative Totals for the year ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS			
Contributions	\$ 17,226	\$ -	\$ -
In-kind contributions	49,484	-	-
Grants and contracts	1,135,184	-	-
Service taxes	371,553	-	-
Interest	34,610	-	-
Miscellaneous	2,360	-	-
Net assets released from restrictions:			
satisfaction of program restrictions	-	-	-
Expiration of time restrictions	-	-	-
Total public support, revenues and reclassifications	<u>1,600,647</u>	<u>-</u>	<u>-</u>
Expenses			
Residential Services	606,602	-	-
Community Program Services	507,082	-	-
Fund-raising	-	-	-
Total expenses	<u>1,113,684</u>	<u>-</u>	<u>-</u>
Change in net assets	(513,037)	-	-
Net assets, beginning	<u>1,472,180</u>	<u>180</u>	<u>1,288</u>
Net assets, ending	<u>\$ 1,359,143</u>	<u>\$ 180</u>	<u>\$ 1,288</u>

See accompanying notes.

<u>Total:</u>	
<u>2002</u>	<u>2001</u>
\$ 57,288	\$ 12,514
49,484	"
1,133,104	1,257,503
371,553	365,000
34,812	52,125
2,560	5,109
"	"
<u>1,605,041</u>	<u>1,695,278</u>
800,052	827,600
587,908	595,185
<u>1,387,960</u>	<u>1,422,785</u>
(139,182)	60,475
<u>1,473,941</u>	<u>1,413,495</u>
\$ <u>1,337,745</u>	\$ <u>1,473,941</u>

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2002
With Comparative Totals for the Year Ended June 30, 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (130,180)	\$ 80,475
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	55,568	55,344
(increase) decrease in accounts receivable	13,884	(2,788)
(increase) decrease in interest receivable	3,525	(4,482)
(increase) decrease in prepaid expenses	(833)	463
Increase (decrease) in accounts payable	(24,215)	(3,727)
Increase (decrease) in interest payable	-	605
Increase (decrease) in accrued expenses	(1,384)	5,040
Increase (decrease) in deferred income	10,038	-
Net cash from operating activities	<u>(75,369)</u>	<u>185,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(34,069)	(10,268)
Proceeds from sale of investments	-	484,278
Purchase of investments	<u>(521,527)</u>	<u>(517,488)</u>
Net cash from investing activities	<u>(555,596)</u>	<u>(93,478)</u>
Net increase (decrease) in cash and cash equivalents	(481,504)	155,485
Cash and cash equivalents, beginning	<u>483,881</u>	<u>112,388</u>
Cash and cash equivalents, ending	<u>\$ 2,377</u>	<u>\$ 488,653</u>

See accompanying notes.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2002
With Comparative Totals for the Year Ended June 30, 2001

	Residential Services	Community Program Services
Advertising	\$ 1,257	\$ 428
Clinical supervision	26,518	2,848
Data processing	898	1,897
Develsubscriptions	1,828	838
Employee benefits	41,848	33,221
Educational	817	-
Food	21,822	69
Fuel/training	-	-
Housekeeping supplies	6,822	348
Internal services	-	19,324
Internal supplies	-	29,898
Insurance-employee's compensation	4,128	4,128
Insurance-commercial property	8,328	2,312
Insurance-liability	8,878	19,712
Insurance-motor vehicle	3,828	2,288
Insurance-other	818	1,228
Interest	8,128	18,878
Jaritorial services	18,798	8,144
Licenses	800	400
Medical services	2,812	-
Miscellaneous	4,498	19,828
Motor vehicle	2,834	19,878
Office supplies	4,758	19,898
Payroll taxes	41,898	48,794
Personal client overclothing	8,471	8,832
Printing	1,412	1,442
Postage	838	1,808
Professional services	9,848	95,294
Psychiatry services	8,238	-
Recreational	3,488	8,688
Rent	-	19,998
Repairs and maintenance-- building and grounds	19,287	682
Repairs and maintenance-- equipment	5,991	5,622
Salaries	284,675	245,689
Supplies	3,940	148
Telephone	8,148	18,398
Therapeutic supplies	-	1,088
Travel and training	8,688	23,281
Utilities	17,984	8,181
Total expenses before depreciation	827,280	881,944
Bad debt	-	-
Depreciation of buildings and equipment	28,542	25,988
Total expenses	\$ 855,822	\$ 907,932
See accompanying notes.		

Totals	
2002	2001
1,715	\$ 2,000
28,486	27,685
2,687	3,489
1,878	1,148
73,888	81,451
977	4,088
27,082	21,741
-	-
8,083	7,829
19,524	-
28,980	-
8,216	10,680
11,841	-
18,784	17,716
8,767	7,083
2,147	2,028
25,000	25,000
28,948	25,121
1,806	985
2,912	8,719
18,122	15,371
21,708	28,289
18,838	11,723
84,854	83,146
17,300	78,233
2,852	1,393
2,888	3,087
27,100	28,881
8,335	5,190
12,358	18,731
15,958	15,080
18,888	12,180
11,774	11,537
1,858,373	888,851
4,880	4,970
24,808	22,644
1,858	2,427
40,857	43,847
23,758	28,138
1,858,234	1,888,888
-	-
52,508	58,344
\$ 1,744,234	\$ 1,825,883

TRACOR, CANNON & OVERLAND, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Educational and Treatment Council, Inc. (ETC) is a nonprofit corporation organized in 1974 under the laws of the State of Louisiana, etc. for the purpose of serving children, adolescents, families, individuals, and communities within the five-parish area of Southwest Louisiana, through comprehensive counseling services, crisis services, prevention services, community education and residential services for youth. Educational and Treatment Council, Inc. provides prevention and intervention services that address issues affecting at-risk youth and their families. All services are available at no cost to clients.

Harbour House, a program of Educational and Treatment Council, Inc., is a 20-bed emergency shelter for children and youth ages 3-17 years old. The shelter serves abused and neglected children, foster children, runaway and homeless youth, status offenders, and other youth in need of a safe place to stay. Harbour House also provides brief respite for children of families in crisis to ensure safety and reduce stress. In addition to short-term residential care, other services provided include education, counseling, assessment, and referral. Established in 1989, Harbour House is licensed by the State of Louisiana as an emergency shelter for children. The average length of stay for residents is 14 days; the maximum length of stay is 185 days.

Community-based services of Educational and Treatment Council, Inc. include in-home crisis counseling, child abuse prevention and intervention, home visitation, case management, parent respite, and outpatient substance abuse treatment for juveniles.

Public Support and Revenues

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

No amounts have been reflected in the statement for donated services, inasmuch as objective basis is available to measure the value of such services. However, substantial number of volunteers have donated significant amounts of time to the Council's program services and to its fund-raising activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2002 of \$145,338 represents receivables from federal and state grants.

Cash Deposits

At various times during the fiscal year, the Council's cash in bank balances exceeded the Federally insured limits. At June 30, 2002, the Council's uninsured cash balances totaled \$10,621.

Investments

Investments consist of cash deposits with maturities of greater than three months at time of purchase.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Council considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

Educational and Treatment Council, Inc. is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Educational and Treatment Council, Inc. has been determined by the Internal Revenue Service not to be a "private" foundation within the meaning of Section 170(b)(1)(A)(iv) of the Code.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE B – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2002:

	Cost
Land	\$ 25,000
Buildings	1,581,704
Improvements	50,780
Transportation equipment	58,800
Furniture and fixtures	211,744
Equipment	49,729
	<u>1,876,957</u>
Less: Accumulated Depreciation	857,782
Total	<u>\$ 1,019,175</u>

Property and equipment is stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are stated at cost or, if donated, at the approximately fair value at the date of donation. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	Years
Buildings	30
Equipment, furniture and fixtures	5-10
Transportation equipment	5
Leasehold improvements	10

NOTE C – BOARD DESIGNATED UNRESTRICTED NET ASSETS

Board designated unrestricted net assets at June 30, 2002 are funds set aside for future payments of long-term debt.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2002 are available for the following purposes or periods:

Runaway Youth Aid Program	\$ 1,100
---------------------------	----------

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE E – PERMANENTLY RESTRICTED NET ASSETS

Property acquired with federal and community development grants is considered owned by the Council while used in the program for which it was purchased or in other future authorized programs; however, the United States and other grantor agencies have reversionary interests in certain property. Its disposition as well as the ownership of any proceeds therefrom is subject to government regulations. The total carrying value of property and equipment in which the United States and other grantor agencies have reversionary interest is \$1,285 as of June 30, 2002.

NOTE F – COMMITMENTS AND CONTINGENCIES

The Council receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE G – RETIREMENT COMMITMENTS

All employees of the Council are members of the Federal Social Security System. The Program contributes 7.65% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

NOTE H – TAX-DEFERRED ANNUITY PLAN

Educational and Treatment Council, Inc. participates in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. This plan covers full-time and thirty-two hour part-time employees who have completed three months of services. Educational and Treatment Council, Inc. contributes for each eligible participant in an amount determined by the employee. Employees who have completed one year of service are eligible for the employer match contribution. On January 1, 2002, the Board of Directors adopted an employer contribution of 25% of an employee's contributions not to exceed 5% of the employee's annual salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were \$3,846 for the year ended June 30, 2002. Employee contributions were \$23,360 for the year ended June 30, 2002.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE I – SICK AND VACATION PAY

The first six months of employment are considered a probationary period during which time sick and vacation leave accrues at one day per month worked. Any days missed during this period are treated as noncompensatory leave. Termination of service with the Council during this period results in forfeiture of all accrued sick and vacation leave.

At the beginning of employment, full time employees begin accruing sick leave at the rate of 1 day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 30 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

At the beginning of employment, full time employees begin accruing annual leave at the rate of 1 day per month up to twelve (12) days annual leave each year of employment. After three years of service, the annual leave increases one day for each additional year of service up to a maximum of twenty (20) days per year.

Any unused annual leave at June 30th of each year shall be retained to zero unless carryover is authorized by the Board. The dollar value of accrued leave at June 30, 2002 amounted to \$3,439.

NOTE J – LONG-TERM DEBT

Long-term debt at June 30, 2002 consists of:

Note payable to Brown Foundation, Inc. due
November 11, 2018, plus interest payable
annually at 5%, secured by a building

\$ 100,000

A requirement of this note is that a sinking fund must be established by year 2002. Annual payments are payable into the sinking fund for years 2002 through 2017 in a sum sufficient to insure, when the final payment becomes due, the sinking fund will be able to repay the entire principal sum due. An investment, originally opened in August 1998 and designated by the Board as the sinking fund, with a balance of \$160,000 at June 30, 2002 has been made to pay off this debt at maturity (see Note C).

NOTE K – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council estimates of the relative proportion of various staff members' time and effort between programs and administrative functions.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

NOTE L – OPERATING LEASE COMMITMENT

The Council leases office space and a vehicle under operating leases expiring at various times during the year.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of June 30, 2002 are as follows:

Year	Amount
June 30, 2003	\$ 7,388
June 30, 2004	7,388
June 30, 2005	1,847

Partial expense under operating leases was \$15,000.

NOTE M – JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the *Juvenile Detention, Probation and Services Tax*. The Juvenile Services tax was approved by voters for 3-4 mills. The Calcasieu Parish Policy Jury shall pay as soon as ad valorem taxes are received by the Calcasieu Parish Policy Jury a sum equal to the stated stated amount. For and in consideration of the payment of the foregoing lease sums, Educational and Treatment Council, Inc. shall provide juvenile services without further cost to the Court of the Calcasieu Parish Police Jury for emergency shelter to children as described in the purpose above.

Arduities paid under the contract for the year ended June 30, 2002 was \$271,333.

NOTE N – LETTER OF CREDIT

Educational and Treatment Council, Inc. entered into an agreement with the Bank One Louisiana, NA to obtain a stand-by letter of credits and security agreement. The letter of credits are secured by assignment of certificate of deposits with the Bank One, Louisiana, NA in an amount of \$20,000. The letter of credits became active on September 12, 2001 and expire on September 1, 2002 and are available in an amount not to exceed \$10,204.

NOTE O – COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended June 30, 2001, from which the summarized information was derived.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2002

Federal Sponsor/ Pass-through Grant/ Program Title	Federal CFDA Number	Disbursement/ Expenditures
U.S. Department of Health and Human Services Runaway Youth Act Program	93.823	\$ 114,487
Pass-through from State of Louisiana Department of Health and Hospitals Office of Mental Health	93.858	134,058
Office of Public Health	93.894	55,524
Pass-through from State of Louisiana Department of Social Services, Office of Community Services Preventing Abuse and Neglect Families	93.856	415,341
Title IV-B Part E	93.888	31,368
Childless Trust Fund	93.872	14,838
U.S. Department of Agriculture Pass-through from State of Louisiana Department of Education School Lunch Program	93.585	22,868
U.S. Department of Housing and Urban Development Pass-through from City of Lake Charles, LA ESGP - Utility Assistance	14.231	8,377
U.S. Department of Education Pass-through from Louisiana Parish School Board Homeless Children & Youth Education Program	94.168A	<u>2,080</u>
Total Federal Awards		<u>\$ 799,282</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Educational and Treatment Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

GAUCHON, Carls and GRIFFITH, LLP
REGISTERED PUBLIC ACCOUNTANTS



GRAGSON, CASIDAY & GUELLO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

1100 PINE STREET, SUITE 1100
NEW ORLEANS, LOUISIANA 70112
(504) 581-1100
FAX (504) 581-1101
WWW.GRAGSONCASIDAYGUELLO.COM

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 14, 2002

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. (a nonprofit organization) as of and for the year ended June 30, 2002 and have issued our report thereon dated November 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Educational and Treatment Council, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Educational and Treatment Council, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Educational and Treatment Council, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as item 00-01.

Educational and Treatment Council, Inc.
November 14, 2002
Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, others within the Council, federal awarding entities and pass-through entities, and is not intended to be used should not be used by anyone other than these specified parties.

Dragon Landing : Smully



GRAGSON, CASIDAY & GUILLORY, LLP
Certified Public Accountants

GRAGSON, CASIDAY & GUILLORY, LLP
MEMBER FIRM OF THE AICPA
JAMES A. GRAGSON, CPA
JOHN L. CASIDAY, CPA
DAVID L. GUILLORY, CPA
DAVID L. GUILLORY, CPA
DAVID L. GUILLORY, CPA
DAVID L. GUILLORY, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

November 14, 2002

Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

Compliance

We have audited the compliance of Educational and Treatment Council, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Educational and Treatment Council, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Educational and Treatment Council, Inc.'s management. Our responsibility is to express an opinion on Educational and Treatment Council, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educational and Treatment Council, Inc.'s compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Educational and Treatment Council, Inc.'s compliance with those requirements.

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Educational and Treatment Council, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the Council, federal awarding entities and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wrayson, Lindsey & Shullory

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2002

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No
 Reportable condition identified not considered
 to be material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements
 noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weakness identified? ☐ Yes ☒ No
 Reportable condition identified that is not considered
 to be material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance
 for major programs: unqualified

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section 310(a)? ☐ Yes ☒ No

Identification of major programs:

OEC# Number

Name of Federal Program or Cluster

93.580

Promoting Safe and Stable Families

93.586

Title IV-B Part 2

Dollar threshold used to distinguish between:

Type A and Type B programs: \$ 360,000

Auditor qualified as low-risk auditor? ☒ Yes ☐ No

Continued

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2002

SECTION I – FINANCIAL STATEMENT FINDINGS

02-01 Segregation of Duties

Condition:	Because of the Council's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
Response:	Management concurs with this recommendation and has implemented supervision and review procedures to the extent possible.

SECTION III – FEDERAL AWARD FINDINGS & QUESTIONED COSTS

None

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2002

Finding 01-01: Segregation of Duties - repeat finding for this year

Finding 01-02: Bank Reconciliations - finding has been satisfactorily corrected

Finding 01-03: Accounts Payable - finding has been satisfactorily corrected

EDUCATIONAL AND TREATMENT COUNCIL, INC.

CORRECTIVE ACTION PLAN

Year Ended June 30, 2002

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings – Financial Statement Audit

62-01 Segregation of Duties

Recommendation - To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Action Taken - We concur with this recommendation and we have implemented supervision and review procedures to the extent possible. Furthermore, since October 2001, we have contracted with a CPA to perform the bank reconciliations, to review the General Ledger, and to provide information and support to the Accounting Supervisor.



Amy Dunn, Executive Director